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No. 90-588

IN THE
SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1990

THE MUNTERS CORPORATION,
Petitioner,

v.

MATSUI AMERICA, INC.,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

RESPONDENT'S BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

1. Whether the Seventh Circuit's use of a strength of the mark analysis as part of its test to determine likelihood of confusion conflicts with this Court's decision in *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 105 S.Ct. 658 (1985).

2. Whether the Seventh Circuit's factual finding that there is no likelihood of confusion conflicts with decisions of other United States Courts of Appeals.

3. Whether it is appropriate to issue a writ of certiorari to the U.S. Court of Appeals where the district court's holding would not be affected and no infringement could be found even if the petitioner's trademark was presumed to be strong.

4. Whether the district court's findings regarding respondent's use of the word "honeycomb" involve questions of fact that do not raise important issues of federal law.

STATEMENT PURSUANT TO RULE 29.1

Pursuant to Supreme Court Rule 29.1, respondent, Matsui America, Inc., identifies its parent corporation as Matsui Manufacturing Co., Ltd., a Japanese corporation. Respondent has no subsidiary corporations.

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RESPONDENT'S BRIEF IN OPPOSITION

Respondent, Matsui America, Inc. ("Matsui"), respectfully requests that the United States Supreme Court deny the petition for writ of certiorari by which The Munters Corporation ("Munters") seeks review of the holding of the United States Court of Appeals for the Seventh Circuit. The opinion of the Seventh Circuit is reported at 909 F.2d 250 (7th Cir. 1990).

STATEMENT OF THE CASE

The district court's opinion contains a comprehensive statement of the facts (A.6-A.13). Rather than incorporate the court's findings by reference, Munters has ignored essential findings of fact and mischaracterized the opinions and holdings of the U.S. Court of Appeals and district court below. Therefore, in order to clarify and correct Munters' statement of the case, Matsui submits this additional statement.

Petitioner's most glaring misstatement to this Court is its summary of the Seventh Circuit's holding below. (Petition at 7, 15). At page 7 of the petition, Munters states that "the Seventh Circuit... has held that a trademark registrant may not obtain injunctive relief against an alleged infringer in reliance on the incontestable status of its mark" and that, according to the Seventh Circuit, "the incontestability of the mark is to be given no weight in determining likelihood of confusion." The Seventh Circuit actually held that "*Park 'N Fly* does not preclude consideration of a mark's strength for purposes of determining the likelihood of confusion." (A.4).

Munters' statement of the case also does not contain the facts material to consideration of the questions presented. Despite the district court's holding that the parties' goods are not interchangeable or sufficiently related to give rise to confusion (A.24), Munters attempts to create such an impression. Munters describes its company and products in detail without providing similar information about Matsui. Munters states that it manufactures and sells industrial environmental control equipment, including dehumidifying equipment (Petition at 9), and that its trademark registration for HoneyCombe covers "dehumidifying apparatus" (Petition at 10). Munters then refers to Matsui's "dehumidifier apparatus" and "dehumidifier," without disclosing that Matsui distributes a full line of equipment for use in the processing of plastics (Petition at 11). The record established that Matsui's product line includes pneumatic conveyors, material mixers, and mold temperature controllers, among other products. One of Matsui's products, the resin dryer, which contains a desiccant wheel, is used for drying materials prior to molding. The district court found that Matsui does not design any of its equipment for space dehumidification and that Matsui's dehumidifier has a specific application: drying plastic resins. (A.8). An understanding of the differences between Munters' products and Matsui's resin dryer is essential to evaluating the opinion of the lower courts that no likelihood of confusion by consumers existed as to the source of the parties' respective goods.

Munters also fails to disclose that the parties' products range in price from $1,500 to $150,000; that the goods are distributed through different channels and Munters and Matsui have no sales representatives in

common. The parties do not belong to the same trade associations and generally do not participate in the same trade shows. Nor did either party ever receive mail or telephone calls intended for the other party.

Further, the petitioner's summary omits the essential bases for the district court's denial of Munters' demand for a permanent injunction. In finding that Matsui's use of the word "honeycomb" did not infringe on Munters' rights in its registered trademark, HoneyCombe, the court applied a seven-part test to evaluate the likelihood of confusion. It found that *all seven* factors weighed against a finding of likelihood of confusion. The strength accorded to Munters' mark was not the determining factor in the court's analysis. Munters has attempted to magnify the importance of the strength of the mark factor by ignoring the court's evaluation of the other factors considered in the likelihood of confusion analysis.

In addition to its finding regarding the strength of the mark, the district court held: (1) the marks, in light of what occurs in the marketplace, are not sufficiently similar to create a likelihood of confusion among purchasers of both parties' products as to the source of the goods (A.16-A.17); (2) the purchasers are sophisticated and discriminating and likely to exercise a high degree of care (A.25); (3) the parties' goods are in two separate markets and the channels of distribution are sufficiently dissimilar (A.26); (4) Matsui acted in good faith in its use of the word "honeycomb" (A.26-A.27); (5) there was no direct evidence of actual confusion (A.27); and (6) as previously stated, the goods are not confusingly similar (A.23-A.24). The decision in this case did not turn on any one factor.

As stated in the court's opinion, at appendix pages A.27 through A.28,

> After considering and weighing all the factors, as set forth by this Circuit, and viewing the totality of the circumstances, we reach the conclusion that the facts do not sustain a finding that the current and potential purchasers and users of Munters' and Matsui's products are likely to be confused as to the source of the respective goods being rendered by Munters under the mark "HoneyCombe" and Matsui's use of the word "honeycomb."

Munters challenges only one step taken by the court in its seven-part analysis used to determine the likelihood of confusion. Even in this regard, Munters does not fully set forth the district court's decision. It claims that the district court gave no consideration to the incontestability of Munters' registration (Petition at 13). In fact, the court held that there was no question as to the mark's validity, but that incontestability was not conclusive in analyzing the strength of the mark to determine likelihood of confusion. Munters, at page 14 of the petition, states that the court found that as applied to Munters' desiccant wheels, HoneyCombe was "descriptive" and "relatively weak." However, the court also found that the mark was stronger when applied to Munters' entire dehumidifying unit and was, in fact, a "suggestive" mark (A.22). Despite this finding, the district court held that there was no infringement of Munters' mark. The Seventh Circuit, holding that findings of likelihood of confusion are findings of fact subject to the clearly erroneous standard

of review, affirmed the district court's denial of a permanent injunction.

Contrary to Munters' statement at page 8 of the petition, the Seventh Circuit has not acknowledged that this decision creates a conflict with Courts of Appeals in other circuits. In its opinion, the Seventh Circuit commented that other circuits do not include a strength-of-the-mark factor in their likelihood of confusion analysis (A.3). The Seventh Circuit proceeded to find that it is appropriate to consider the strength of a mark in evaluating likelihood of confusion as well as in determining if a mark is protectable.

Finally, to support its petition for certiorari in this case, Munters has cited *Dieter v. B & H Industries of Southwest Florida*, 880 F.2d 332 (11th Cir. 1989), *cert. denied, B & H Industries of Southwest Florida v. Dieter et al.*, 59 U.S.L.W. 3326 (1990), as presenting some of the same issues. However, as this Court is well aware, certiorari in the *Dieter* case was denied on October 29, 1990.

SUMMARY OF THE ARGUMENT

The decision of the Seventh Circuit is in full accord with the holding in *Park 'N Fly* that the holder of a registered mark may rely on incontestability to enjoin infringement. 469 U.S. at 205. However, there is no merit to Munters' argument that in an infringement action, there are no issues to be considered beyond the incontestability of the complainant's mark. To prevail, a complainant must also establish the likelihood of confusion by the public.

The district court properly applied a multi-factor analysis in assessing the likelihood of confusion and found, based on the record before it, that no infringement existed. The district court also determined that Matsui fairly used the word "honeycomb" to describe its products.

Munters has sought to ascribe to the Seventh Circuit the view that the incontestability of a mark is given no weight in determining whether injunctive relief is appropriate. The Seventh Circuit has not adopted such a view.

REASONS WHY THE PETITION SHOULD BE DENIED

1. The Courts' Holdings Below Do Not Conflict With Either The Supreme Court's Holding in *Park 'N Fly* or With The Holdings of U.S. Courts of Appeals in Other Circuits.

Munters argues that the Seventh Circuit's decision is contrary to this Court's decision in *Park 'N Fly* and to the decisions of the Courts of Appeals in other circuits (Petition at 17). However, this case presents no true and direct conflict appropriate for resolution by writ of certiorari.

a. Consistent with *Park 'N Fly*, the courts below did not apply an "offensive/defensive" distinction with regard to Munters' incontestable mark.

Munters claims that the effect of the Seventh Circuit's decision is to treat incontestability of trademarks as a "defensive" issue, while refusing to give incontestable marks "offensive" effect as having strength when consider-

ing the issue of infringement (Petition at 17). It is Munters that persists in resurrecting the offensive/defensive differentiation by refusing to recognize that the *Park 'N Fly* decision only involved challenges to an incontestable trademark's validity. Munters has misread *Park 'N Fly* as holding that a trademark's incontestable status alone justifies the issuance of an injunction. It is well established that to prevail under Section 43(a) of the Lanham Act, the complainant must show that it has a protectable trademark *and* that the alleged infringer's use is likely to cause confusion among consumers. *The Forum Corporation of North America v. The Forum, Ltd.*, 903 F.2d 434, 439 (7th Cir. 1990); *International Kennel Club of Chicago, Inc. v. Mighty Star, Inc.*, 846 F.2d 1079, 1084 (7th Cir. 1988).

In *Park 'N Fly*, this Court rejected the offensive/defensive distinction applied by the Court of Appeals for the Ninth Circuit. 469 U.S. at 196, 105 S.Ct. at 662. The Ninth Circuit had reversed the district court's granting of an injunction holding that the trademark owner could obtain an injunction only if its mark would be entitled to continued registration without regard to its incontestable status. Relying upon the language of the Lanham Act and its legislative history, the Supreme Court held that incontestability may be relied on to enjoin infringement by others. 469 U.S. at 205, 105 S.Ct. at 667. "Mere descriptiveness" of the incontestable mark was not a recognized basis for challenging the mark's validity. The Ninth Circuit in *Park 'N Fly* had not addressed the question of likelihood of confusion and therefore, the Supreme Court stated that upon remand, the trial court could consider the defendant's argument that there was no likelihood of confusion. *Id.* Therefore, the Supreme Court's ruling that

the incontestability of a mark is conclusive evidence of the registrant's right to use the mark, subject to the seven defenses enumerated in section 33(b) of the Lanham Act, 15 U.S.C. §1115(b), in no way precludes the use of a likelihood of confusion analysis.

Unlike the Court of Appeals in *Park 'N Fly*, the district court in the instant case recognized that an incontestable mark cannot be invalidated in an infringement suit on the ground that it is merely descriptive. (A-17). Matsui has never claimed that Munters' mark is invalid because it is merely descriptive. Rather, the concept of descriptiveness arose in two respects unrelated to validity. The district court properly considered the descriptiveness of Munters' HoneyCombe mark to assess its strength or distinctiveness in determining likelihood of confusion. Matsui also asserted the defense under 15 U.S.C. §1115(b)(4) that it fairly used the word "honeycomb" in a descriptive manner. The lower courts would have run afoul of the holding in *Park 'N Fly* if they had found that the registrant of a trademark that is "merely descriptive" can never obtain an injunction, regardless of the mark's incontestable status. Of course, the lower courts made no such finding.

Munters reads *Park 'N Fly* and the Lanham Act to mean that the owner of a registered trademark is automatically entitled to an injunction based upon the mark's incontestable status. The Seventh Circuit has flatly rejected this "offensive" view (A.4). As Munters contends, the language of the Lanham Act is clear and unambiguous. Munters argues that consideration of the strength of Munters' incontestable mark in determining the likelihood of confusion is improper because Congress limited the

defenses which can be mounted against an incontestable mark to the seven defenses enumerated in §1115(b). (Petition at 23). However, the federal trademark statute, as amended by the Trademark Law Revision Act of 1988, Pub.L. 100-667, provides, in relevant part:

> To the extent that the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce..... Such conclusive evidence of the right to use the registered mark *shall be subject to proof of infringement* as defined in section 1114 of this title, *and* shall be subject to the following defenses or defects....

15 U.S.C. §1115(b) (emphasis added).

Accordingly, the Seventh Circuit has correctly applied the clear language of the Lanham Act, as amended.

b. The Seventh Circuit's decision in this case is not in direct conflict with the decision of any other United States Court of Appeals.

In trademark infringement cases, the various circuits have developed guidelines for determining whether an alleged infringer should be enjoined. To a certain extent,

the applicable likelihood of confusion analysis varies from circuit to circuit and no need for a single uniform test has yet been found. Munters has exaggerated the difference between the test used herein by the district court and the tests used in other circuits. However, an examination of the cases cited by Munters demonstrates that there is no "conflict" that requires review or resolution by this Court.

Munters does not object to the Seventh Circuit's inclusion of a strength of the mark factor, but rather to the weight given this factor with regard to incontestable marks. Refusing to acknowledge that no single factor is dispositive, Munters takes the untenable position that the incontestable status of the HoneyCombe mark alone requires a finding of infringement warranting the issuance of an injunction. None of the cases relied on by Munters support this argument.

In *Wynn Oil Company v. Thomas*, 839 F.2d 1183, 1186 (6th Cir. 1988), the Court of Appeals followed an eight-part test to assess the likelihood of confusion with respect to the plaintiffs' incontestable mark ("CLASSIC") and a registered mark that was not yet incontestable ("CLASSIC CAR WASH"). The mere fact of incontestability was not dispositive on the issue of infringement and the case turned on the factual findings that the products and services were closely related and the marks were substantially similar. 839 F.2d at 1189. With regard to "CLASSIC CAR WASH," the Court in *Wynn* explained that the defendant was free to challenge the mark's validity with regard to whether it was strong enough to warrant protection under the Lanham Act. 839 F.2d at 1190. The finding that incontestable marks are entitled to

"full protection" does not amount to a presumption of infringement.

The Ninth Circuit's decision in *Clamp Manufacturing Company, Inc. v. Enco Manufacturing Company, Inc.*, 870 F.2d 512 (9th Cir. 1989), does not conflict with the holdings in this case. In *Clamp*, the Ninth Circuit conducted a likelihood of confusion analysis that included consideration of the strength of the plaintiff's incontestable mark. 870 F.2d at 517. As the Seventh Circuit did in this case, the Ninth Circuit cited *Park 'N Fly* as establishing that the alleged infringer cannot defend against an infringement action on the basis that the incontestable mark is merely descriptive and therefore invalid. 870 F.2d at 518. The Ninth Circuit affirmed the granting of injunctive relief after determining that confusion was likely based on the similarity of the products and marketing channels used and the fact that the defendant intentionally copied the plaintiff's mark.

The decision in *Beer Nuts, Inc. v. Clover Club Foods Company*, 805 F.2d 920 (10th Cir. 1986), does not further Munters' argument that a meaningful conflict exists among the circuits. The Tenth Circuit in *Beer Nuts*, which was decided prior to the amendment of the statute under the Trademark Law Revision Act of 1988, conducted a likelihood of confusion analysis. The Court stated that its list of factors was not exhaustive and that no one factor was determinative. 805 F.2d at 925. The Court in *Beer Nuts* found that a likelihood of confusion existed because the products, which were inexpensive and identical, were advertised and marketed in the same manner. Further, the Court found that the defendant deliberately adopted a mark that was confusingly similar to plaintiff's mark.

The Court in *Dieter v. B & H Industries of Southwest Florida*, 880 F.2d 322 (11th Cir. 1989); *cert. denied*, 59 U.S.L.W. 3326 (1990), found that a substantial likelihood of confusion existed after considering *all* the facts. The Court held that the similarity of the parties' customers and retail outlets was so strong as to be likely to cause confusion. 880 F.2d at 327. The Court in *Dieter* held that incontestability was "a factor to be taken into consideration" in determining the likelihood of confusion. 800 F.2d at 329. Neither *Dieter*, nor any of the other cases relied on by Munters, turned solely on the strength of the mark factor of the likelihood of confusion tests applied by the Courts of Appeals.

2. This Petition Should Not Be Granted Because The Outcome Would Not Be Affected Even if The Court Accepts Munters' Position Regarding the Strength of its Mark.

To the extent that Munters has identified a question concerning the level of strength to be accorded incontestable trademarks in a likelihood of confusion analysis, it is not a significant question in this litigation. The district court analyzed the strength of Munters' mark when applied to Munters' desiccant wheel and when applied to the entire dehumidifier (A.21-A.23). When applied to the entire dehumidifier, the Court found that HoneyCombe is stronger and is "suggestive" rather than descriptive (A.22). In evaluating the strength or distinctiveness of trademarks, suggestive marks are recognized as stronger than descriptive marks. The fact that the court found no infringement by Matsui of a suggestive trademark demonstrates that even if this Court were to adopt Munters' argument that incontestable

trademarks should be presumed at least descriptive with secondary meaning, the outcome of this litigation would not be affected.

Furthermore, as previously stated, the district court considered and weighed all relevant factors, and in light of the totality of the circumstances, concluded that the facts did not sustain a finding of likelihood of confusion (A.27-A.28). Although no single factor is controlling, the court noted that it gave greater weight to the fact that the purchasers of the two different products were sophisticated and discriminating and likely to exercise a great deal of care in purchasing expensive equipment (A.25). It did not refuse to grant injunctive relief merely because it considered Munters' mark to be descriptive.

3. Matsui's Use of the Word "Honeycomb" Raises No Issues of Federal Law.

The district court found that the word "honeycomb" is descriptive of the configuration of the desiccant wheel in Matsui's resin dryer and that Matsui used "honeycomb" in good faith to describe the wheel (A.30). Therefore, the court held that Matsui was entitled to assert the fair use defense under Section 33(b)(4) of the Lanham Act, 15 U.S.C. §1115(b)(4). (A.29). Munters is asking this Court to review and decide these questions of fact that were properly decided by the district court and affirmed by the Court of Appeals. In affirming the district court, the Seventh Circuit found that the court's findings were not clearly erroneous.

The district court's evaluation of Matsui's "use" of the word "honeycomb" raises no issues of federal law that

require resolution by this Court. The district court, in finding that Matsui used "honeycomb" to describe its product and not as a "trademark", utilized the statutory definition of "trademark" in its analysis (A.30). Further, even if Munters succeeds in establishing that its Lanham Act claims were not barred by the fair use defense, it can not prevail because it has failed to show a likelihood of confusion as previously discussed.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be denied.

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